



DEFERRED COMPENSATION ADVISORY COMMITTEE

MINUTES

Thursday, July 24, 2008

For information about this meeting, contact the Deferred Compensation Program Office at (408) 975-1465 or email 457DefCompensation@sanjoseca.gov.

Chair Pascal Roubineau called the Deferred Compensation Advisory Committee meeting to order at 9:04 a.m. on Thursday, July 24, 2008, City Hall, Wing-118.

Roll Call

Pascal Roubineau, Chair
Peter Jensen, Vice Chair
Donna Busse
Julia Cooper
Trish Glassey

Employees' Representative
City Manager's Representative
Management Employees' Representative
City Manager's Representative
Employees' Representative

Excused Absence

Conrad Taylor
Mark Skeen

Police Representative
Firefighter Representative

Also Present

Linda BJORKE
Suzanne Hutchins
Jeanne Groen
Courtney Phommachack
Sue Bradford-Moore
Gary Bozin
Peter Belardinelli
Tina Smith
Amy Moody
Bill Tugaw
Sue Bradford-Moore
Brad Imamura

City Attorney's Office
City Attorney's Office
Human Resources, Deferred Compensation Secretary
Human Resources, Deferred Compensation Staff
Retiree
ING
ING
Human Resources, Deferred Compensation Staff
Human Resources, Deferred Compensation Staff
Consultant, SST Benefit
Retiree
Public Works- Real Estate Division

9:05 – 10:00 A.M.

July 24, 2008

City Hall, Wing W118

APPROVAL OF MINUTES

1. April 24, 2008

The minutes of the April 24, 2008 meeting could not be approved because there was no quorum from that meeting.

2. June 26, 2008



The minutes of the June 26, 2008 meeting could not be approved because there is no quorum from that meeting.

OLD BUSINESS

3. ING Contract Verbal Update

Suzanne Hutchins stated the contract has been completed. Jeanne Groen reported that the contract was executed by the City Clerk's Office and delivered to the Department yesterday. Chair Roubineau inquired if a copy is available electronically and Jeanne Groen responded that staff would post the contract on the website.

4. Staffing Verbal Update

Jeanne Groen reported she received the staff information on the reallocation of the Analyst position and anticipates it will be submitted this week. She will continue to update the Committee.

5. 1999-2005 Reconciliation Verbal Update

Jeanne Groen explained that the data from both ING and ICMA has been received. Since the data received from both providers includes rollover amounts in addition to participant contributions, new data has been requested. No further progress has been made.

6. Verbal Update regarding ING's Stable Value Fund Manager RFP

Peter Belardinelli reported that they have screened a list of 22 Stable Value Fund Manager candidates and are now down to a "short" list. They are looking at a multi-manager approach. When the process is complete they will make a recommendation to the Committee and the DCAC Consultant.

NEW BUSINESS

7. Review, Discuss and Approve Proposed Revisions to Investment Policy and Procedures Statement

The Committee discussed the draft Investment Policy and Procedures. Members Cooper and Busse provided the background on the subcommittee discussions regarding the changes made. Member Cooper and Member Busse have experience with their respective investment policies at the overall City portfolio level and the Retirement Department level and they brought their experience into the subcommittee discussions.

Chair Roubineau stated that he had concerns about adding a Real Estate Fund and how that would fit into the investment policy. Jeanne Groen explained that the policy doesn't mandate the DCAC to add a Real Estate option but it gives the Committee the option of doing so in the future.

Vice Chair Jensen stated that he was researching what other jurisdictions had done with their investment options and he found a tier approach. The third tier providing the most options but the employees have to seek them out and select them on their own. Looking at the City's chart, the minimum number of funds is 21 and the maximum is 41 or 42. The basic tier approach is the 1st tier offers about three funds, 2nd tier about 10 funds and the 3rd tier might



offer 30 or 40 funds. All employees are directed to a core set of funds and the more sophisticated investors can actively seek out additional choices.

Member Busse commented that the area where she thinks there are too many funds is in the equity sub-asset classes. There are so many options in these areas that are very similar that it makes it confusing. To have to choose between large, small, value and growth is more confusing than the broad asset classes of Domestic Equities, International or Real Estate.

Vice Chair Jensen explained that he feels that the structure and the number of funds offered and the way those funds are arranged is important. It's not a matter of whether people understand them so much as it is that they get to a point of just making the conservative choice.

Member Glassey states that the investment policy structures what type of selections are made and how they are made. If the Committee is going to be viewing them differently and organizing them differently that needs to be reflected in the policy.

MSC Jensen/Glassey to refer the policy back to the subcommittee for further discussion.

INFORMATIONAL ITEMS

8. Legislative Activities

Bill Tugaw reported that the Roth 457, part of the farm bill, was eliminated. There is nothing politically stopping the bill. 401K fee disclosures is moving forward.

The Hero's Earnings Assistance Relief Act became law and basically waived the penalty fees for withdrawals out of retirement plans. He pointed out that the Senate and House passed a resolution that the week of October 19th is National Save for Retirement Week. Jeanne Groen stated that she is interested in receiving the information he has available on this resolution.

Suzanne Hutchins inquired about the Hero's' Earnings Assistance Relief Act and Bill Tugaw stated that it would make permanent the IRC Pension Protection Act of 2006 that is expiring. That Act permits active duty reservist to make penalty free withdrawals from retirement plans. There are a number of other features but that is the main purpose. He stated that he would get the information to Suzanne Hutchins on this matter.

9. ING Loan Information and Participation

Gary Bozin stated that this is a brochure sent to all participants that request a loan. He also reviewed the "Number of Loans by Department" and "Comparison: Percent of Plan Loans to Percent of Participants".

10. ING Service Logs for June 2008

Gary Bozin reviewed the service logs for June 2008 and the interest rates for the Stable Value Portfolio.



Bill Tugaw inquired if anyone had seen the report that was put together on rollouts for labor organizations to send out to their members. Jeanne Groen stated that the report was provided to all labor organizations through the Benefits Review Forum distribution but she had not seen any publications. The Deferred Compensation staff has been using the information to give out to anyone who they know is leaving the City.

Member Glassey stated that it might be helpful to do another distribution to the labor organization presidents. Sue Bradford-Moore commented that there was an excellent article in the Retirement Newsletter. Jeanne Groen assisted with the article.

11. Deferred Compensation Loan Program Usage

Gary Bozin reported on the Monthly Loan Activity Chart. Loan Activity has stabilized in recent months.

12. June 2008 Fund Performance Summary

No comments.

13. Next Meeting: August 28, 2008, City Hall, Wing, W-118, 9:00 a.m.

PUBLIC COMMENTS

Brad Imamura inquired why the Investment Subcommittee meeting was cancelled. Jeanne Groen stated that the information was not ready for the subcommittee meeting because of her family emergency and the staffing vacancies.

Suzanne Hutchins introduced Linda Bjorke. Linda Bjorke is a new Attorney in the City Attorney's Office and she will be assigned to the DCAC.

UNFORESEEABLE EMERGENCY WITHDRAWAL

14. None

ADJOURNMENT

M.S.C. Jensen/Busse to adjourn the meeting at 10:00 a.m.

Pascal Roubineau, Chair
Deferred Compensation Committee

ATTEST:

Jeanne Groen, Staff
Deferred Compensation

NOTE: M.S.C. MEANS MOTION SECONDED AND CARRIED, UNLESS OTHERWISE INDICATED, MOTION PASSED UNANIMOUSLY.